



3 April 2007

Ms Natalie Muir  
Senior Solicitor  
Securities Commission  
P O Box 1179  
Wellington

Dear Ms Muir

### **Review of Class Exemption Notices**

Thank you for the opportunity for the Investment Savings and Insurance Association ("ISI") to provide comments in relation to the class exemption notices that the Securities Commission is reviewing this year.

Of the class exemption notices identified for review, our members particularly request the renewal of the following:

Advertisements Containing Investment Advice notice 2002  
Continuous Debt Issues notice 2002  
Group Investment Index Funds notice 2002, and amendment notices  
Life Insurance Companies notice 2002  
Renewals and Variations notice 2002, amendment notice 2004  
Short Form Prospectus notice 2002 and amendment notice 2005  
Unit Trust Certificates notice 2002.

In addition, we are aware that those of our members who are also members of the NZ Bankers Association will be making a submission in respect of other notices and we support their recommendations.

#### **Specific Comment on the Unit Trust Certificates Notice**

In respect of the Unit Trust Certificates notice, we note that the general policy behind the Notice is to exempt issuers from the requirement in section 54 of the Securities Act to send securities or certificates of securities to security holders within one month of the allotment of the registrable security. Instead, continuous issuers are required to send written statements upon request and once every six months.

The policy is sound and practical both from the perspective of issuers and security-holders. For issuers, significant compliance costs are saved: the production, execution and postage of certificates whenever securities are allotted is arduous both in terms of cost and time. For security-holders, being flooded with statements whenever securities are allotted by continuous issuers is likely to result in notices being ignored, which would defeat the purpose of the disclosure regime.

The purpose of protecting investors is served extremely well - possibly even better - by this notice than under section 54. Under the Notice, unitholders are given certificates at least once every six months. More pertinently, unitholders are able to request notices whenever they want them, so those who want to stay informed are able to, and those who are less interested are not inundated with correspondence they may view as unnecessary.

### **Amendments**

The only amendment we would suggest is to require that notices be sent every 12 months rather than every six months. The effect of this amendment would be that unitholders would not face unnecessary correspondence but would still be kept informed and compliance costs would be much lower.

### **Statement of Reasons for granting the exemption**

We suggest the following statement of reasons for the exemption:

- To protect unitholders and keep them informed of developments in their investments, while recognising the fact that section 54 of the Securities Act would generate excessive notices from continuous issuers, who allot securities on a regular basis; and
- To allow unitholders to stay informed of developments with their units while taking a practical approach to the extent of disclosure required to protect them.

### **Recommendations**

We recommend that the Notice should, at the least be rolled over, as it is based on sound policy for issuers and unitholders. Ideally, the amendment suggested above will be made as well.

Yours sincerely

Vance Arkininstall  
**CHIEF EXECUTIVE**